

A photograph of a healthcare professional, likely a nurse or doctor, wearing blue scrubs. They are holding a red clipboard in their right hand and have a stethoscope around their neck. The background is a light blue gradient.

MEDICARE FOR ALL AND THE FUTURE OF AMERICA'S HEALTH CARE WORKFORCE

AN FTI CONSULTING REPORT

EXPERTS WITH IMPACT™

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As baby boomers age and the U.S. population grows, America's health care workforce is ill-equipped to meet the health care needs of the population under the current system. FTI Consulting's independent economic analysis indicates that proposals to implement a Medicare for All system, specifically one that relies upon Medicare payment levels, threaten to accelerate the looming workforce crisis. The resulting effects on access to care stem not from deliberate denials of care under a new system, but instead from the diminished capacity of the health care workforce to meet the needs of the population.

Already, the U.S. is facing a health care workforce shortage that could reach 151,000 direct care workers¹ and 121,300 physicians by 2030.² While the underlying causes of projected workforce shortages are varied and complex, most are tied directly to low reimbursement rates and the resulting negative effects on wages and staffing. Particularly for rural and underserved communities, extending Medicare payment systems to a broader population could have a significant negative impact on the adequacy of the country's health care workforce, access to care, and, ultimately, patient outcomes.

Key Findings

- Medicare for All, when fully implemented, could result in a nationwide loss of 44,693 physicians by 2050 relative to current projections.
- By 2050, urban and rural areas alike could see a decrease of 5.4% in the supply of physicians.
- The impact of Medicare for All on the primary care workforce would be particularly acute, resulting in a loss of 10,286 primary care physicians by 2050.
- Shifting the entire U.S. population to Medicare would result in an estimated 16% cut to spending on patient care provided by physicians.
- Medicare for All's reimbursement cuts would result in 90% of hospitals across the country running consistent deficits, increasing the risk of hospital closures nationwide and negatively impacting the health care workforce.
- The nursing workforce, already projected to reach shortage levels in seven states by 2030,³ could see a reduction of 1.2 million nationally by 2050 under Medicare for All.

OVERVIEW

As the debate over Medicare for All and related policies comes into focus, it is important to consider the practical effects of such proposals on access to health care. The Affordable Care Act (ACA), enacted in 2010, extended coverage to nearly 20 million previously uninsured Americans⁴ through a combination of Medicaid expansion and the establishment of state health insurance exchanges. While the law has faced setbacks and health care affordability remains a top concern for many Americans, the ACA succeeded in expanding access to health care providers and services while preserving choice and competition in the health care marketplace. Policymakers must now decide whether to build upon the current model to expand access to quality,

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affordable coverage through improvements to the law, or to once again overhaul the nation's health care system. FTI Consulting's analysis sought to quantify the potential effects of Medicare for All on access to care, as evidenced by its projected impact on the country's health care workforce.

By 2030, one in five Americans is projected to be over 65,⁵ dramatically increasing demand on the nation's health care system. The ACA took steps to begin to address the projected shortfall of physicians and other health care providers through investments in education, training and payment incentives. Despite this progress, the U.S. faces a shortage of up to 122,000 physicians by 2030, including both primary care (between 21,100 and 55,200) and specialty care (between 24,800 and 65,800), according to the Association of American Medical Colleges.⁶ While nonphysician providers such as nurses and home health aides may be strategically deployed to increase capacity in some areas, these professions are not immune to shortages. The Health

MANY PHYSICIANS NOW LIMIT THE NUMBER OF MEDICARE BENEFICIARIES THEY WILL SEE OR NO LONGER ACCEPT NEW MEDICARE PATIENTS.

Resources and Services Administration (HRSA) predicts that, if the current level of health care is maintained, seven U.S. states will face shortages of registered nurses in 2030, four of which will exceed 10,000.⁷ Additional financial pressures on the institutions that employ these workers could result in diminished wages, exacerbating and spreading shortages across the country.

Medicare for All and related proposals seek to expand access to health care by extending Medicare coverage – or similar public programs based on Medicare – to the general population. These programs would be sustained at least in part by rate setting, tying provider reimbursements throughout the health care system to Medicare payment rates. Such policies do not take into account the cross-subsidization of health care that occurs in the U.S., with the privately insured population effectively enabling access to providers for those covered by public programs in which reimbursements fail to cover the cost of care. According to the Centers for Medicare and Medicaid Services (CMS) Office of the Actuary, Medicare payment rates for inpatient hospital services were just 60% of private insurance in 2017, while physician payment rates under Medicare were roughly 75% of private insurance rates, a delta predicted to grow substantially in future years.⁸

Already, the insufficiency of Medicare payment rates is taking a toll on America's health care workforce and access to care.⁹ In 2017, a study published by the American Hospital Association found that Medicare reimburses just 87 cents for every dollar spent on patient care. Many physicians now limit the number of Medicare beneficiaries they will see or no longer accept new Medicare patients.¹⁰ FTI Consulting finds that by extending Medicare reimbursement policies to a much wider population of health care consumers, Medicare for All would result in fewer graduates entering the health care workforce, early retirements of existing

providers, and hospital closures, all of which would have a direct negative impact on access to care for American consumers.¹¹

Fast Facts: The Physician Workforce Crisis

- As the U.S. population ages, demand for physician services is increasing and the existing workforce will not be sufficient to meet treatment needs. ([American Journal of Managed Care](#))
- The U.S. has a projected shortage of primary care and specialty physicians that could reach 121,900 by 2032. ([Association of American Medical Colleges](#))
- The number of primary care physicians leaving the workforce outpaces the number entering, while more physicians are choosing to work part-time. ([Journal of Internal Medicine](#))
- Twenty percent of America's population resides in rural areas with low physician to patient ratios. This means that 60 million people in rural communities are affected by physician shortages. ([Becker's Hospital Review](#))

MEDICARE FOR ALL: THE PHYSICIAN WORKFORCE

FTI Consulting examined the impact of Medicare for All on the supply of physicians, finding a significant increase in the projected shortage of both specialists and primary care physicians in future years as a result of rate setting and subsequent reductions in provider income. American physicians enter the workforce with an average student debt load of nearly \$200,000,¹² a factor that may drive graduates away from specialties with particularly low Medicare reimbursements, such as primary care, under the current system. For experienced physicians, declining Medicare reimbursements can play a role in the decision to retire early.¹³ FTI's analysis demonstrates these factors would be amplified under Medicare for All, discouraging the next generation from entering the practice of medicine and prompting a greater number of older physicians to retire early.

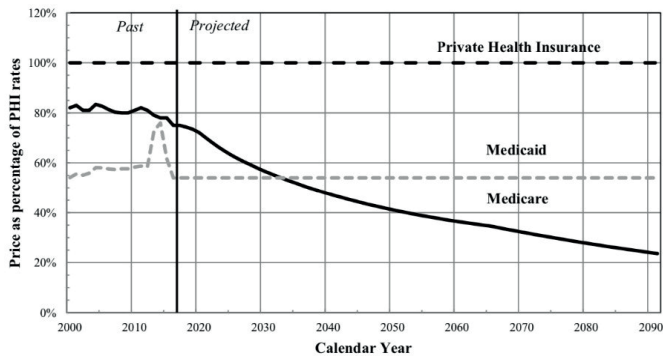
IMPACT ON PHYSICIAN SUPPLY

On average, Medicare reimbursements for physicians were about 75% of private insurance reimbursements for the same service in 2017¹⁴ and are expected to fall to approximately 63% by 2025.¹⁵ Because Medicare for All's most significant effect would be to replace private coverage, total reimbursements paid to physicians would also fall absent changes to the law. FTI estimates that, under Medicare for All, the U.S. could expect a loss of more than 0.13 physicians per 1,000 people once the policy is fully implemented. The current ratio in the United States is 2.46 physicians per 1,000, which translates to a nationwide loss of 44,693 physicians by 2050, compared to the projected number of physicians under current law.¹⁶

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"...MEDICARE FOR ALL WOULD RESULT IN FEWER GRADUATES ENTERING THE HEALTH CARE WORKFORCE, EARLY RETIREMENTS OF EXISTING PROVIDERS, AND HOSPITALS CLOSURES, ALL OF WHICH WOULD HAVE A DIRECT NEGATIVE IMPACT ON ACCESS TO CARE FOR AMERICAN CONSUMERS."

Figure 1 – Illustrative comparison of relative Medicare, Medicaid, and private health insurance prices for physician services under current law

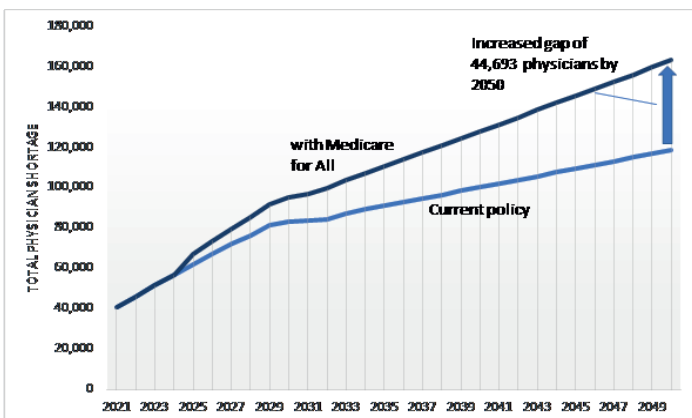


Source: Congressional Budget Office

EXACERBATING THE PHYSICIAN SHORTAGE

In 2019, the AAMC projected a gap of between 46,900 and 121,900 physicians by 2032. Using those projections, and combining with the expected loss of physicians, we estimate that the physician shortfall will be between 90,353 and 236,053 by 2050 even before the reduction has taken full effect.¹⁷

Figure 2 – Physician Shortage over Time



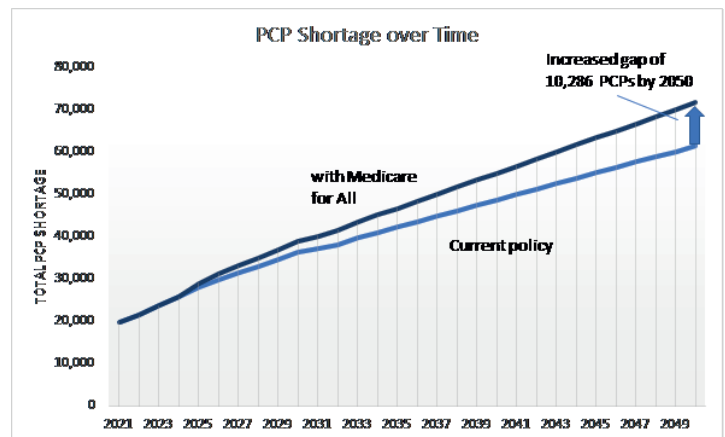
Source: FTI Analysis based on AAMC Physician Shortage Report (extrapolated to 2050)

PRIMARY CARE PHYSICIANS

Understanding the impact of Medicare for All on the primary care physician workforce is particularly important as these providers not only form the foundation of the health care system but are also central to the movement toward value-based care. Even without the downward pressure of Medicare for All on primary care incomes, demand for primary care appears to exceed supply. Between 2010 and 2017, the ratio of primary care physicians to beneficiaries fell from 3.8 per 1,000 to 3.5 per 1,000, according to the Medicare Payment Advisory Commission (MedPAC). At the same time, beneficiaries looking for a new doctor generally reported more problems finding one when seeking a new primary care doctor than when seeking a new specialist.¹⁸

Using international data on primary care physicians' salaries and numbers, FTI Consulting estimates that enacting Medicare for All would result in a nationwide reduction in primary care physicians of 10,286 by 2050, resulting in a corresponding shortage of primary care physicians of between 36,206 and 107,426.

Figure 3 – Primary Care Physician Shortage over Time



Source: FTI Analysis based on AAMC Physician Shortage Report (extrapolated to 2050)

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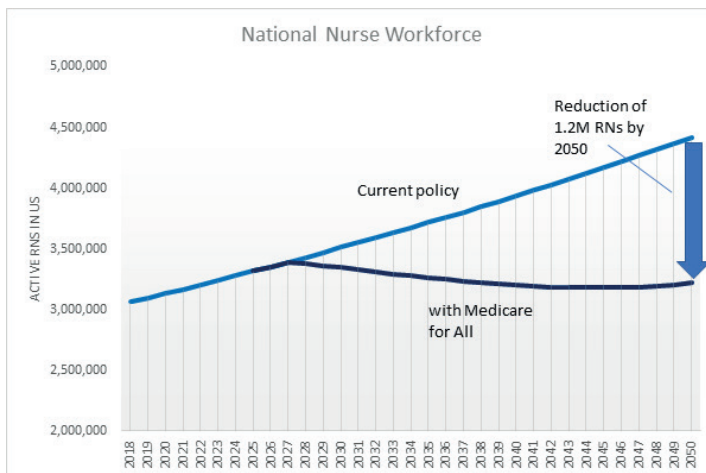
IMPACT ON HOSPITALS WILL FURTHER STRAIN WORKFORCE

Hospitals and other health care providers are vital to the communities that they serve, not just through the health care services that they provide, but also as employers. The fiscal health of a hospital has significant implications for the strength and size of its workforce. Hospital Medicare profit margins are negative and declining, according to a March 2019 MedPAC report.¹⁹ FTI's analysis of hospital data and payments under Medicare for All suggests that as many as 90% of hospitals would incur annual losses due to the decline in reimbursements.²⁰ Stagnating reimbursements will create additional financial pressures on health care employers, and it is expected that some hospitals and physician practices could be forced to close. This is particularly troubling as it relates to the health care workforce, specifically nurses.

NURSING WORKFORCE

Nurses play a critical role in the delivery of health care services and the quality of care provided. As the population ages and life expectancy increases, ensuring that hospitals and other health care providers in the U.S. have the resources to compete for nursing talent is essential. According to the Bureau of Labor Statistics,²¹ 64% of registered nurses work either in a hospital setting or physician office. If Medicare for All were to be implemented, leading to reimbursement reductions and employer expense cuts, FTI estimates that the number of registered nurse graduates will decline by more than 25% and the entire nurse workforce will shrink by 1.2 million registered nurses by 2050 relative to current projections.

Figure 4 – Nurse Workforce with and without Medicare for All



Given that diminishing reimbursements under Medicare for All could lead to closures for hospitals and physician practices, the employment opportunities for nurses would decline while the need for them increases with a growing and aging population.

These estimates are based on the average reduction in reimbursements for practitioners caused by using Medicare reimbursement rates. However, given the conflict between the demand for nurses (especially in the states with minimum nursing ratios) and the supply of nurses, actual changes in salaries are difficult to project. Since nearly 60% of registered nurses are hospital employees,²² hospital closures due to deficits caused by lower reimbursements, as well as the resulting job losses for nurses in those communities, could be significant.

RURAL HEALTH

Today, many Americans in rural areas struggle with barriers to health care access, including shortages of qualified health providers that could be worsened by cuts to reimbursements under Medicare for All. Currently, half of rural counties lack OB-GYN services²³ and those in rural areas are more likely to experience a primary care physician shortage.²⁴ And though populations in rural areas tend to be sicker and older than in urban areas, the ratio of physicians to patients is lower in those communities.²⁵ FTI Consulting's analysis finds that, across the country, Medicare for All would result in an estimated decrease of 5.4% in the total number of U.S. physicians, a reduction that would be felt most acutely in rural communities already experiencing access challenges. Further, research shows that shortages of health care workers in rural areas widen existing health disparities²⁶ and contribute to hospital closures.²⁷

CONCLUSION

FTI Consulting's analysis suggests the impact of Medicare for All on America's health care workforce would undermine the policy's central objective: expanding access to care. With many areas of the country already on the brink of a crisis when it comes to provider shortages, policymakers must consider the impact of Medicare for All and related policies on the ability of these communities to attract and retain the next generation of health professionals. The effects of reduced reimbursements under Medicare for All would directly impact not only health care workers and their patients, but the health of communities across the country as they contend with delayed access to care, decreased quality and widening health disparities.

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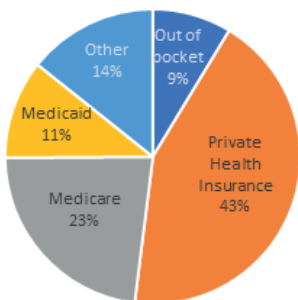
APPENDIX I: METHODOLOGY

Physician Supply

There has been very little research done on physicians that relates physician salaries to physician supply, whether via retirements or through medical school enrollment. However, because many countries have variation in physician salaries due to different regulations, we used this variation to determine, over the long-run, how physician supply might be affected by the change in physician salaries. We found that, as expected, higher salaries are associated with number of physicians—the higher the physician salaries in a country, the more physicians per person.

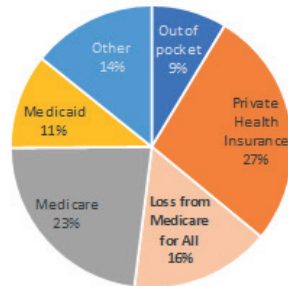
To estimate the loss to physicians under Medicare for All, FTI Consulting used CMS's national health expenditures figures, broken out by source of funds, part of which is shown below for 2017.²⁸

Figure 5 - Source of Payments for Physician and Clinical Expenditures



Using this table and the fact that average Medicare payments are projected to be 63% of private insurance payments in 2025, we can estimate the percent reduction in physician reimbursements under Medicare for All. Private payers account for approximately 43% of expenditures for physicians and clinical services. Reducing that component by 37%²⁹ would reduce the total expenditures on physician and clinical services by 16%.

Figure 6 - Source of Payments for Physician and Clinical Expenditures after Implementation



When we apply the relationship determined between salaries and physician supply, we estimate that the U.S. could expect a loss of more than 0.13 physicians per 1,000 people once Medicare for All is fully implemented and the physician workforce adjusts to new payments and salaries. The current ratio in the United States is 2.46 physicians per 1,000. This translates to a nationwide loss of 44,693 physicians by 2050 compared to the projected number of physicians.³⁰ By 2055, the reduction in physicians is estimated to be more than 50,000.

Physician Shortage

The AAMC periodically reviews trends in physician supply and demand for health care and puts out projections of whether the number of physicians will meet the needs of the U.S. population. In 2019, the AAMC report projected a gap of between 46,900 and 121,900 physicians by 2032. Using those projections, and combining with the expected loss of physicians, we estimate that the physician shortfall will therefore be between 90,353 and 236,053 by 2050, before the reduction has taken full effect.³¹

Primary Care Workforce

The loss in Primary Care Physicians (PCPs) can be calculated using the same methodology as before while restricting the data to PCPs. Using international data on primary care physicians' salaries and numbers, we similarly estimate a nationwide reduction in PCPs of 10,286 by 2050. This would lead to an increased shortage of PCPs of between 36,206 and 107,426 by 2050.

Rural vs. Urban Physicians

Rural physicians already receive less under Medicare at a rate of two-thirds of their urban counterparts for the same service.³² This disparity is due to the calculation of Medicare payment amounts with wage indexes tied to local labor costs. Though insurance coverage is very similar between urban and rural counties in the United States, it is important to note that rural physicians are paid almost 5 to 10% more than urban physicians according to the New England Journal of Medicine.³³ This is occurring despite the fact that Medicare is structured to pay rural physicians less. So, the higher salaries must be caused by a combination of employers such as hospitals paying more and the higher reimbursements from private payers. This means Medicare for All's cuts will force hospitals to divert even more funds to physicians in order to attract them to rural areas and prevent a worsening physician shortage in rural communities.

Physician Employment by Hospitals

One complication to the analysis is the recent trend of employment of physicians by hospitals.³⁴ Estimates suggest that as many as 44% of physicians are employed by hospitals. While hospitals could act as a buffer between the reduction in reimbursements and physicians, the reduction in reimbursements would then fall directly on the hospital instead of the physician. Hospitals would have many ways to pass on this cut, transferring more duties to non-physician health care workers, reducing salaries of physicians, or possibly being pushed into bankruptcy. It should also be noted that under Medicare for All, cuts to reimbursement rates to hospitals would be relatively greater than cuts to physicians, so the effect on hospitals would be more severe.

Predicting how hospitals would adjust their workforce or salaries is beyond the scope of this analysis, but we can estimate how many hospitals would have a precarious financial situation if they absorbed the full reduction in reimbursements. Our analysis finds that Medicare for All could lead to the closure of 1,459 additional hospitals across the U.S.³⁵

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Nursing Workforce

Studies have shown that Medicaid, which tends to reimburse at lower rates than either Medicare or private insurance, sees lower rates of participation from physicians due to lower payments and that increasing these payments would increase physician participation.³⁶ Research on nursing shows a similarly strong effect of wages on the workforce. Specifically, registered nurse (RN) graduations are very responsive to changes in RN salaries. A wage increase between 3.2 and 3.8% would induce an increase in RN graduations by 6.2%.³⁷ Applying this estimate, one can also project how RN graduations would be affected by a reduction in salary.

According to the Bureau of Labor Statistics, 64% of registered nurses work either in a hospital setting or physician offices.³⁸ Estimating the nurse workforce is complicated by the less direct method of compensating nurses, as well as the requirement that hospitals maintain minimum nurse staffing ratios in many states.³⁹ Given these requirements in these states, estimating the effect of a reduction in reimbursements for hospitals on the number and salary of the nurse workforce is especially difficult.

According to research on how RN graduations respond to changes in RN salaries, it would take a wage increase between 3.2 and 3.8% to induce an increase in RN graduations by 6.2%.⁴⁰

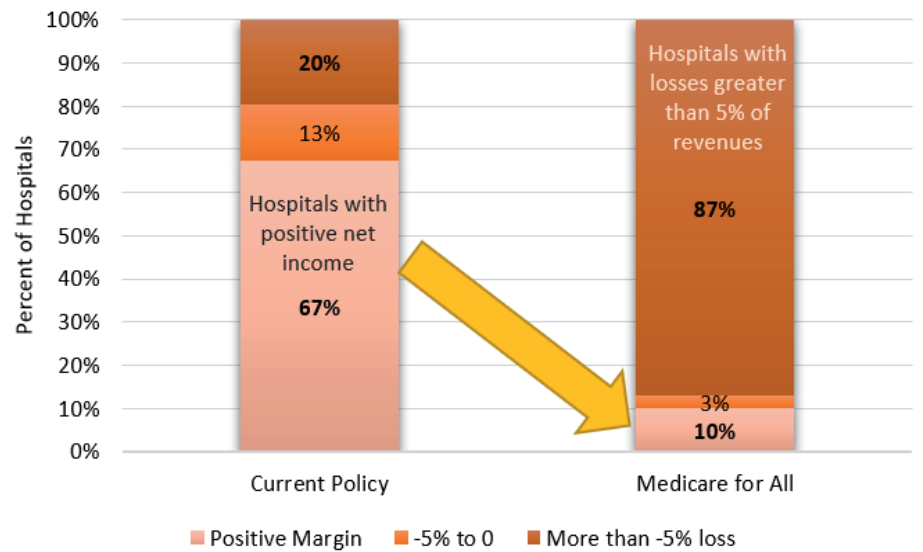
Applying that number to projections based on Medicare for All, since the reduction in total reimbursements would be 15%, we might expect RN graduations to fall by nearly one-third if employers cut all expenses proportionally. Retirements due to any sudden decrease could also be expected, but there is no research available that would allow us to estimate this effect, so it is not accounted for.

FTI's analysis shows a possible effect if hospitals and physician offices distribute their losses proportionally across all expense categories. However, this is unlikely for several reasons. Because some

states have minimum nursing ratios, the effect on salaries in those states is much more difficult to predict. Hospitals would need to reduce their costs in other areas to maintain salaries for nurses. This would put increased pressure on hospital finances and might increase hospital closures.

FTI's analysis of hospital data and expectations of losses in reimbursements suggest that as many as 90% of hospitals would be losing money due to the decline in reimbursements.⁴¹ Since 60% of RNs work at hospitals,⁴² this is the most likely method through which nurses would be affected.

Figure 7 - Source of Payments for Physician and Clinical Expenditures



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